

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION
AT RICHMOND, MARCH 11, 2010

CLERK'S OFFICE

APPLICATION OF
VIRGINIA ELECTRIC AND POWER COMPANY

2010 MAR 11 P 3:03
CASE NO. PUE-2009-00011

DOCUMENT CONTROL

For approval of the Annual Filing as required by Final Order of the State Corporation Commission in Case No. PUE-2007-00066 granting approval of the rate adjustment clause, Rider S, with respect to the Virginia City Hybrid Energy Center generation and transmission facilities located in Wise County, Virginia

APPLICATION OF
VIRGINIA ELECTRIC AND POWER COMPANY

CASE NO. PUE-2009-00016

To revise its fuel factor pursuant to § 56-249.6 of the Code of Virginia

APPLICATION OF
VIRGINIA ELECTRIC AND POWER COMPANY

CASE NO. PUE-2009-00017

For approval of a Rate Adjustment Clause for Recovery of the Costs of the Bear Garden Generating Station and Bear Garden-Bremo 230kV Transmission Interconnection Line

APPLICATION OF
VIRGINIA ELECTRIC AND POWER COMPANY

CASE NO. PUE-2009-00018

For approval of a rate adjustment clause pursuant to § 56-585.1 A 4 of the Code of Virginia

APPLICATION OF
VIRGINIA ELECTRIC AND POWER COMPANY

CASE NO. PUE-2009-00019

For a 2009 statutory review of rates, terms and conditions for the provision of generation, distribution, and transmission services pursuant to § 56-585.1 A of the Code of Virginia

APPLICATION OF
VIRGINIA ELECTRIC AND POWER COMPANY

CASE NO. PUE-2009-00081

For approval to implement new demand-side management programs and for approval of two rate adjustment clauses pursuant to § 56-585.1 A 5 of the Code of Virginia

ORDER APPROVING STIPULATION AND ADDENDUM

On March 31, 2009, in Case No. PUE-2009-00019, Virginia Electric and Power Company d/b/a Dominion Virginia Power ("Virginia Power" or "Company") filed an application

with the State Corporation Commission ("Commission") for statutory review of its rates, terms and conditions for the provision of generation, distribution, and transmission services ("Application") pursuant to § 56-585.1 A of the Code of Virginia ("Code"). The Company requested an annual base rate increase of \$298 million. On April 6, 2009, the Company submitted an errata filing to its Application, which changed its requested annual base rate increase to \$289 million.

On April 21, 2009, the Commission issued an Order for Notice and Hearing that established the procedural requirements for Case No. PUE-2009-00019, scheduled a public evidentiary hearing to commence on January 20, 2010 ("January 20th hearing"), directed Virginia Power to provide direct and published notice of the proceeding, and suspended the Company's proposed rates until September 1, 2009, the maximum period permitted by statute. On April 21, 2009, the Commission issued an order granting the Company a limited waiver of certain filing requirements under 20 VAC 5-201-90.

The following parties filed notices of participation: Office of the Attorney General's Division of Consumer Counsel ("Consumer Counsel"); Fairfax County Board of Supervisors ("Fairfax"); Department of the Navy, on behalf of the Federal Executive Agencies ("Federal Executive Agencies"); Robert A. Vanderhye; Virginia Committee for Fair Utility Rates ("Committee"); Virginia Cable Telecommunications Association ("VCTA"); Chaparral (Virginia) Inc. ("Chaparral"); MeadWestvaco Corp. ("MeadWestvaco"); Wal-Mart Stores East, LP and Sam's East, Inc. (collectively, "Wal-Mart"); The Kroger Co. ("Kroger"); the Apartment and Office Building Association of Metropolitan Washington ("AOBA"); International Paper Company ("IP"); and Utility Professional Services, Inc. ("UtilityPros").

On June 29, 2009, the Commission issued an Order on Consumer Counsel's Motion *in Limine*, which (1) found that the rate year in Case No. PUE-2009-00019 is September 1, 2009

through August 31, 2010, and (2) directed the Company to amend its Application as necessary to comply with such finding.

On July 14, 2009, the Commission issued an Order on Commission Staff's ("Staff") Motion *in Limine*, which (1) found that § 56-585.1 A 10 of the Code mandates that, in Case No. PUE-2009-00019, "the Commission shall . . . utiliz[e] the actual end-of-test period capital structure and cost of capital of such utility," and (2) directed the Company to amend its Application as necessary to comply with such finding.

On July 24, 2009, Virginia Power filed amendments to its Application pursuant to the aforementioned June 29 and July 14, 2009 orders of the Commission. The Company lowered its requested annual base rate increase to \$250.2 million.¹

On September 1, 2009, Virginia Power increased its base rates by its requested \$250.2 million, on an interim basis and subject to refund, as permitted by statute.

On November 5, 2009, Virginia Power, Consumer Counsel, Chaparral, MeadWestvaco, Wal-Mart, Kroger, AOBA, and IP filed, for the six cases captioned above, a Joint Motion for Leave to Present Stipulation ("Stipulation") and Proposed Recommendation and Modification of the Commission's Procedural Order ("Joint Motion").² The Stipulation proposed, among other things, to credit customers \$397 million, to reduce base rates to their pre-September 1, 2009 level,³ and to refund to customers all charges above that level collected by Virginia Power since September 1, 2009. The Joint Motion asked the Commission to reschedule the January 20th

¹ See Ex. 26 at 13 (Bolton suppl. direct).

² The Stipulation was admitted to the record as Ex. 5. UtilityPros subsequently joined in the Stipulation. See Tr. 778-780.

³ In addition, pre-September 1, 2009 base rates would be further reduced by \$149.4 million to reflect that certain costs previously included therein are currently being recovered through a separate rate adjustment clause under § 56-585.1 A 4 of the Code (see Case No. PUE-2009-00018).

hearing to the earliest practical date to consider the Stipulation, and to provide notice of the rescheduled hearing.

On December 2, 2009, the Commission issued an Order on Joint Motion that, among other things: (1) explained that Staff had yet to file its testimony and recommendations; (2) denied as impractical the request to accelerate the January 20th hearing (due to the current procedural status of the case and the time required to publish notice of a new hearing); (3) noted that all issues (which included the Stipulation) could be addressed at the January 20th hearing; and (4) scheduled a prehearing conference. On December 9, 2009, the Staff filed its testimony on the Application and recommended an annual base rate decrease of \$365.3 million.⁴

On January 6, 2010, the Commission held a pre-hearing conference to address procedural matters related to the January 20th hearing and on January 7, 2010, issued a guidance document regarding the conduct of such hearing.

The Commission held the public evidentiary hearing on the following days: January 20, 21, 22, 26, 27, 28, and 29, 2010, and February 2, 3, and 4, 2010. The Commission received testimony from approximately 40 witnesses for the participants in this proceeding and admitted over 125 exhibits into the record. The Commission also heard testimony from 13 public witnesses, and over 30 written or electronic public comments were submitted in this case.

On February 11 and 22, 2010, respectively, the Commission issued a guidance document regarding, and an order establishing the due date for, post-hearing briefs.

On February 26, 2010, the Staff, Federal Executive Agencies, Fairfax, Committee, VCTA, and Mr. Vanderhye – along with the parties to the previously-filed Stipulation – jointly filed: (1) an Addendum and Modification of Stipulation and Recommendation ("Addendum"); and (2) a Joint Motion to Suspend Briefing Schedule. The Addendum, among other things,

⁴ See Ex. 53, Statement XIV (Pate direct). Staff subsequently reduced this amount to an annual base rate decrease of \$352 million. See Ex. 54.

increases the benefit to customers from \$397 million (as reflected in the Stipulation) to \$726 million,⁵ includes credits through 2012, and prohibits the Company from increasing base rates prior to December 1, 2013.⁶ In addition, Virginia Power would refund to customers its September 1, 2009 interim base rate increase; the amount of this refund would be dependent upon the exact amount of charges collected since that date and, for example, could exceed \$145 million.⁷ The Addendum requests that the Commission issue an order approving "the Stipulation, as supplemented, or modified as indicated, by the provisions set forth herein."⁸

On February 26, 2010, the Commission issued an order suspending the briefing schedule and scheduling an evidentiary hearing to receive evidence on the Stipulation and Addendum.

On March 4, 2010, the Commission held an evidentiary hearing to receive evidence on the Stipulation and Addendum.⁹

On March 8, 2010, Mr. Vanderhye filed a post-hearing brief. Mr. Vanderhye asserts that the Company "has not established that its rate structure for Residential Schedule 1 is 'just' and 'reasonable' as it relates to its primarily declining nature, the months selected for declining and inclining, and the cutoff between declining and inclining."¹⁰ Mr. Vanderhye originally proposed an inclining block rate structure.¹¹ On brief, however, Mr. Vanderhye states that "[s]ince the provision of an all-year-round inclining block rate schedule may be too ambitious for this

⁵ This includes the Company's agreement to waive recovery of certain previously-incurred and federally-approved costs related to providing transmission service, as well as base rate credits of \$66 million per year in 2011 and 2012.

⁶ This provision, however, does not preclude all rate increases prior to that date. For example, the Company may still seek rate increases under Virginia statutes related to fuel cost recovery, rate adjustment clauses, and emergency conditions.

⁷ This illustration simply reflects a straight-line calculation for seven months of a \$250.2 million annual increase.

⁸ Addendum at 2.

⁹ The Addendum was admitted to the record as Ex. 5A.

¹⁰ Vanderhye post-hearing brief at 9.

¹¹ See, e.g., Ex. 35 at 3 (Vanderhye direct).

proceeding . . . , it is recommended that at the present time [Virginia Power] simply be required to come up with a flat rate schedule that obtains the same revenue as the present unjust rate schedule."¹²

On March 9, 2010, Staff and all of the parties in Case Nos. PUE-2009-00011 and PUE-2000-00017 filed joint motions requesting the following modifications, as reflected in the Stipulation and Addendum, to Rider S (Case No. PUE-2009-00011) and Rider R (Case No. PUE-2009-00017): (1) extend the filing date of Riders S and R applications from March 31, 2010 to on or before June 30, 2010, and on or before June 30 of each year thereafter; and (2) extend the currently approved terms of Riders S and R at the existing rate of recovery through March 31, 2011.

NOW THE COMMISSION, having considered this matter, is of the opinion and finds that the Stipulation and Addendum shall be approved.¹³ We find that the Stipulation and Addendum, taken as a whole, are just and reasonable and satisfy the relevant statutory requirements attendant to the above-captioned cases.¹⁴ We emphasize, however, that such finding does not establish precedent for any specific matter addressed in the Stipulation and Addendum. Finally, we note that the combination of refunds and credits provided through 2012, the elimination from future recovery of certain federally-approved transmission charges, and the

¹² Vanderhye post-hearing brief at 9.

¹³ We likewise grant the March 9, 2010 joint motions to extend the filing dates and currently approved terms for Riders S and R.

¹⁴ In addition, we will not impose a new rate structure for residential customers as part of the instant proceeding. We agree with the Company that significant rate design modifications should not be implemented without a more thorough investigation that analyzes the impacts of such changes. *See, e.g.*, Ex. 111 at 39-45 (Koogler rebuttal). Although we conclude that the Company's existing rate structure continues to be just and reasonable, we also find that an inclining block rate structure and a flat rate structure should be further evaluated. Specifically, we direct the Company to submit, as part of its March 31, 2011 biennial review filing, two analyses (which shall include an explanation of the assumptions, procedures, and findings of each) for residential customers: (i) an analysis of the impacts of implementing a specific all-year-round inclining block rate structure; and (ii) an analysis of the impacts of implementing a specific all-year-round flat rate structure.

reduction of base rates to their pre-September 1, 2009 level are particularly important for both residential and business consumers during the current economic conditions and should help to promote economic development in the Commonwealth.

Accordingly, IT IS ORDERED THAT:

(1) The Stipulation and Addendum (attached hereto) are approved, and Virginia Power is directed to comply therewith.

(2) In Case No. PUE-2009-00019:

(a) Virginia Power shall forthwith file revised tariffs and terms and conditions of service with the Commission's Division of Energy Regulation, in accordance with the Stipulation and Addendum, effective for service rendered on and after September 1, 2009.

(b) Virginia Power shall recalculate, using the rates and charges approved herein, each bill it rendered that used, in whole or in part, the rates and charges that took effect under bond and subject to refund on and after September 1, 2009, and, where application of the new rates results in a reduced bill, refund the difference with interest as set out below within sixty (60) days of the issuance of this Final Order.

(c) Interest upon the ordered refunds shall be computed from the date payments of monthly bills were due to the date each refund is made at the average prime rate for each calendar quarter, compounded quarterly. The average prime rate for each calendar quarter shall be the arithmetic mean, to the nearest one-hundredth of one percent, of the prime rate values published in the *Federal Reserve Bulletin* or in the Federal Reserve's Selected Interest Rates (Statistical Release H.15) for the three (3) months of the preceding calendar quarter.

(d) The refunds ordered herein may be credited to current customers' accounts.

Refunds to former customers shall be made by check mailed to the last known address of such customers when the refund amount is \$1 or more. Virginia Power may offset the credit or refund to the extent of any undisputed outstanding balance for the current or former customer. No offset shall be permitted against any disputed portion of an outstanding balance. Virginia Power may retain refunds to former customers when such refund is less than \$1. Virginia Power shall maintain a record of former customers for which the refund is less than \$1, and such refunds shall be promptly made upon request. All unclaimed refunds shall be subject to § 55-210.6:2 of the Code.

(e) Virginia Power shall deliver to the Commission's Divisions of Public Utility Accounting and Energy Regulation a report showing that all refunds have been made pursuant to this Order, detailing the costs of the refunds and the accounts charged.

(f) Virginia Power shall bear all costs incurred in effecting the refunds ordered herein.

(g) This case is dismissed.

(3) The filing date for Riders S and R applications is extended from March 31, 2010 to on or before June 30, 2010, and on or before June 30 of each year thereafter, and the currently approved terms of Riders S and R are extended at the existing rate of recovery through March 31, 2011.

(4) In Case Nos. PUE-2009-00011 and PUE-2009-00017:

(a) Virginia Power shall forthwith file revised tariffs and terms and conditions of service with the Commission's Division of Energy Regulation to reflect this Order Approving Stipulation and Addendum, including the base return on common equity contained in the Stipulation and Addendum.

(b) Virginia Power shall recalculate prior bills using the base return on common equity contained in the Stipulation and Addendum, and shall provide refunds, with interest, contemporaneous with the refunds ordered above.

(c) These cases are dismissed.

(5) Case No. PUE-2009-00016 is continued.

(6) Case No. PUE-2009-00018 is re-opened for this Order Approving Stipulation and Addendum and is otherwise dismissed.

(7) Case No. PUE-2009-00081 is continued.

AN ATTESTED COPY hereof shall be sent by the Clerk of the Commission to all persons on the official Service Lists in these matters. The Service Lists are available from the Clerk of the State Corporation Commission, c/o Document Control Center, 1300 East Main Street, First Floor, Tyler Building, Richmond, Virginia 23219.

COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

APPLICATION OF
VIRGINIA ELECTRIC AND POWER COMPANY

For approval of the Annual Filing as required
by Final Order of the State Corporation Commission
in Case No. PUE-2007-00066 granting approval of a
rate adjustment clause, Rider S, with respect to the
Virginia City Hybrid Energy Center generation and
transmission facilities located in Wise County, Virginia

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APPLICATION OF
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To revise its fuel factor pursuant to
§ 56-249.6 of the Code of Virginia

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) Case No. PUE-2009-00016
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APPLICATION OF
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For Approval of a Rate Adjustment Clause for Recovery
of the Costs of the Bear Garden Generating Station and
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For approval to implement new demand-side
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STIPULATION AND RECOMMENDATION

WHEREAS, in 2007, the Virginia General Assembly enacted significant amendments to the Code of Virginia ("Va. Code" or "Code") relating to the regulation of electric utility service in the Commonwealth,¹ which provides a new regulatory construct for the Commonwealth's electric utilities, including returning Virginia's incumbent electric utilities to a cost of service regulated environment and fundamentally changing many aspects of the rate-setting and recovery process of electric utility costs; and

WHEREAS, the first paragraph of Va. Code § 56-585.1 A directs the State Corporation Commission (the "Commission"), after notice and opportunity for hearing, to initiate proceedings within the first six months of 2009 to review the rates, terms and conditions for the provision of generation, distribution and transmission services of each investor-owned incumbent electric utility with such 2009 rate reviews being governed by the provisions of Chapter 10 (Va. Code § 56-232 *et seq.*) of Title 56 of the Code, except as modified by Va. Code § 56-585.1 A; and

WHEREAS, on January 13, 2009, the Commission issued its Order Proposing Initiation of Rate Proceedings and Schedule in an *ex parte* proceeding in Case No. PUB-2009-00002, and whereas, by its February 24, 2009 Order Scheduling Rate Proceedings, the Commission established a rate case filing schedule for Virginia's investor-owned electric utilities, pursuant to Va. Code § 56-585.1 A in that same proceeding, which directed Virginia Electric and Power Company ("Dominion Virginia Power" or the "Company") to file its statutorily required rate review on or before April 1, 2009; and

¹ Virginia Acts of Assembly, 2007 Reconvened Session, identical Chapters 888 and 933 (approved April 4, 2007; effective July 1, 2007).

WHEREAS, Dominion Virginia Power submitted a filing under seal with the Commission for the statutory review of its rates, terms and conditions for the provision of generation, distribution and transmission services on March 31, 2009, pursuant to Va. Code § 56-585.1 A, Rules 10 and 20 of the Rules Governing Utility Rate Applications and Annual Informational Filings, 20 VAC 5-201-10 and -20, and the Commission's Order Scheduling Rate Proceedings issued February 24, 2009, in Case No. PUE-2009-00002, and subsequently an errata filing on April 6, 2009, and an amended filing on July 24, 2009 (collectively, the Company's "2009 Rate Case Filing" or "Filing"); and

WHEREAS the Company's Filing reflects a requested total revenue requirement, including fuel, of approximately \$5.7 billion, which represents an increase in its jurisdictional base rate annual operating revenue of \$250.2 million over present base rate revenue of \$3.2 billion, or 7.9%, and which is based on a requested return on common equity ("ROE") of 14.0% including a maximum 1.00% Performance Incentive, and which is a 4.6% increase in its total annual operating revenue to \$5.7 billion including fuel, and which is comprised of an increase in distribution revenues of \$83.7 million and a generation revenue increase of \$166.5 million, with the Company proposing to allocate and collect the revenue increase in distribution revenues so that each customer class receives approximately the same percentage increase in their distribution base rates, and to do the same with respect to the increase in generation revenues; and

WHEREAS, the Office of the Attorney General, Division of Consumer Counsel has analyzed the Company's base rate request, and in its testimony and exhibits filed on November 2, 2009 has identified adjustments that reflect a sufficiency in present base rate revenues of approximately \$238 million, based on a ROE of 11.12%, for the

jurisdictional base rate annual operating revenues for the rate year beginning September 1, 2009.

WHEREAS, by its April 21, 2009 Order for Notice and Hearing ("Procedural Order") in Case No. PUE-2009-00019 (or, the "2009 Rate Case proceeding"), the Commission authorized the Company to implement the requested rates effective September 1, 2009, on an interim basis and, pursuant to such Procedural Order, the interim rates are now in effect; and

WHEREAS, the Company filed a request on March 31, 2009 in Case No. PUE-2009-00011 to revise its rate adjustment clause ("RAC"), designated Rider S, for recovery of costs related to the Company's Virginia City Hybrid Energy Center ("VCHEC"); and whereas in Case No. PUE-2009-00017, the Company requested approval on March 31, 2009 of a RAC, designated Rider R, to recover the costs associated with the Bear Garden Generating Station and related transmission facilities ("Bear Garden") pursuant to § 56-585.1 A 6 of the Code;² and whereas on March 31, 2009 in Case No. PUE-2009-00016, the Company filed to revise its fuel factor pursuant to Va. Code § 56-249.6; and whereas in Case No. PUE-2009-00018, the Company requested approval on March 31, 2009 of a RAC, designated Rider T, pursuant to Va. Code § 56-585.1 A 4 to allow the Company to recover certain costs charged by PJM Interconnection LLC and approved by the Federal Energy Regulatory Commission; and whereas, on July 28, 2009, the Company requested approval in Case No. PUE-2009-

² The Company proposed that, for purposes of judicial economy, the general ROE established for Dominion Virginia Power in the 2009 Rate Case Filing be used as the ROE in the Company's Rider S and Rider R applications. By Clarifying Order dated July 15, 2009, in Case Nos. PUE-2009-00011, -00017, and -00019, the Commission directed participants to "address cost of capital (and other issues relevant to establishing ROE) related Case Nos. PUE-2009-00011 and PUE-2009-00017 simultaneous with Case No. PUE-2009-00019." Clarifying Order at 2.

00081 to implement 12 new Demand-Side Management programs and for approval of two RACs, designated C1 and C2, ("DSM") pursuant to Va. Code § 56-585.1 A 5 (collectively, the "parallel proceedings"); and

WHEREAS, the undersigned participants agree and recommend to the Commission that it issue an order or orders in this matter approving this Stipulation, which order would contain the following findings and rulings, and other such relief as may be appropriate:

BASE RATES OF SERVICE

1. There is to be no increase in currently approved and effective base rates and no change in any rates (except as stated in Paragraph 3 below), terms or conditions of standard tariff offerings until the first biennial review pursuant to Va. Code § 56-585.1 A.
2. The Company shall refund, with interest and pursuant to such terms and conditions as specified by the Commission, the increased revenues collected under the interim base rates of service since September 1, 2009.
3. Currently approved and effective base rates shall be reduced by \$149.4 million to reflect that certain costs previously recovered through base rates of service are now being recovered by Rider T as of September 1, 2009, as determined by Final Order of the Commission on June 29, 2009 in Case No. PUE-2009-00018.
4. The Company's authorized ROE applicable to its base rates shall be 11.9%, unless and until reset in the biennial review process pursuant to Va. Code § 56-585.1 A. This ROE, which shall include a Performance Incentive of 60 basis points, is agreed to solely for purposes of this Stipulation taking into consideration this Stipulation as a whole and the disposition of all other matters set forth herein, and is not

intended to establish or otherwise be a precedent for a particular "peer group" floor or "Performance Incentive" or to establish the "Initial Return" pursuant to Va. Code § 56-585.1 A 1 d. Nor shall anything in this Stipulation be deemed to have adopted or established a particular methodology for determining a Performance Incentive.

RIDER TREATMENT

5. The agreed base ROE for Riders R (Bear Garden), S (VCHEC), and, if approved, C1 and C2 (DSM), along with any future RAC under Va. Code § 56-585.1 A 5 or A 6, if any, through December 31, 2010 is 11.3%, exclusive of any statutory incentive adder under Va. Code § 56-585.1 A 6 (e.g., 100 basis points as approved for Rider S and as requested for Rider R). No Performance Incentive shall be added to the base ROE allowed for these RACs during this period. The treatment of any RACs approved to commence post-2010 will follow the legal requirements set forth in Va. Code § 56-585.1 A, namely, that the ROE is subject to change in any proceeding to alter the revenue requirement for existing or new RACs approved prior to the conclusion of the Company's first biennial review, and, once biennial reviews commence, the RAC ROEs will thereafter be subject to change pursuant to (and will equal) the ROE determined by the Commission in such reviews.

6. For purposes of Rider R (Bear Garden), the statutory incentive adder under Va. Code § 56-585.1 A 6 shall be applied for the first 10 years of the facility's service life.

RENEWABLE PORTFOLIO STANDARD GOALS

7. For purposes of a potential ROE adder for meeting Renewable Portfolio Standard ("RPS") goals under Va. Code § 56-585.2 C, it is deemed that, unless and until

reset in the biennial review process pursuant to Va. Code § 56-585.1 A, the Company has received a "Performance Incentive increasing its fair combined rate of return on common equity by more than 50 basis points," in the terms of, and for the purposes of, Va. Code § 56-585.2 C.

RIDER CREDITS

8. The Company will provide a credit to customers from its 2008 revenue, which amount will be credited to customer bills as described below. Specifically, \$268 million of 2008 Company earnings will be credited to rider charges as follows:

Rider T offset 9/1/09-12/31/10 (\$68 million * 16/12)	\$91 million
-additional offset for 9/1/10 Rider T forecast increase (\$124.5 million * 4/12)	\$42 million
Rider R offset 1/1/10-12/31/10 (reflects 12.3% ROE vs. filed 14.5%)	\$64 million
Rider S offset 1/1/10-12/31/10 (reflects 12.3% ROE vs. filed 14.5%)	\$71 million
Total Virginia jurisdictional 2008 earnings credit	\$268 million

With respect to Riders T, R, and S, the amount credited in total will be \$268 million, and this amount will offset all Rider increases as stipulated through December 31, 2010. However, if the incremental Rider charges total less than \$268 million through December 31, 2010, the difference would be deferred and used to reduce Rider deferral balances for the next true-up.

With respect to Rider T, as set out above, a Rider credit will be provided to customers equal to incremental Rider T rates (in excess of the \$149.4 million in transmission-related charges moved from base rates of service in connection with the Final Order of the Commission dated June 29, 2009 in Case No. PUE-2009-00018), as

incurred, from September 1, 2009 through December 31, 2010. The Rider T credit for the period retroactive to September 1, 2009 will be applied (without interest) in a manner consistent with the refund of interim base rates as specified by the Commission.

With respect to Rider R, a Rider credit will be provided to customers equal to Rider R rates approved in Case No. PUE-2009-00017, as incurred, from Rider R effective date through December 31, 2010.

With respect to Rider S, a Rider credit will be provided to customers equal to incremental Rider S rates approved in Case No. PUE-2009-00011, as incurred, from effective date of such incremental rates through December 31, 2010.

9. The Rider credits from 2008 revenue totaling \$268 million shall be treated by the Company as revenue received under the Riders and no costs that were to be recovered during such credit period shall be eligible for recovery or reconciliation in later periods.

10. The total Rider credits through December 31, 2010 from 2008 revenue shall not exceed \$268 million. If Rider charges for Riders T, R, and S exceed \$268 million as stipulated through December 31, 2010, the remaining charges in excess of \$268 million will be written off by the Company and not charged to customers.

FINANCIAL TRANSMISSION RIGHTS CREDIT

11. The Company will credit to customers \$129.0 million related to revenues from financial transmission rights ("FTRs"), inclusive of any carrying charge, for the period July 1, 2007-June 30, 2009. The credit shall be allocated to customer classes based on forecast energy sales for the December 1, 2009-June 30, 2010 period. The residential customer class will receive an allocated credit of \$58.2 million, such credit to

be applied to active customer accounts on a one-time basis within 30 days of Commission Order adopting the Stipulation terms. For each individual residential customer, the credit will be based on the customer's last 12 months' energy usage. For the non-residential customer classes, an allocated credit of \$70.8 million will be applied as a fuel credit rider, based on actual energy consumption, over the remainder of the current fuel period ending June 30, 2010. If the amount actually credited to non-residential customers during this period exceeds, or falls short of, the intended \$70.8 million credit by more than \$1.0 million, such under- or over-recovery shall be credited to, or recovered from, non-residential customers through a one-time true-up as of the end of the current fuel period.

WHEREFORE, the undersigned parties agree that this Stipulation represents a compromise for the purposes of settlement of this case and balancing of many interests, and none of the signatories to this Stipulation necessarily agrees with the treatment of any particular item, any procedure followed, or the resolution of any particular issue in agreeing to this Stipulation other than as specified herein, except as required to implement provisions of this Stipulation, and the parties agree that the resolution of the issues herein, taken as a whole, and the disposition of all other matters set forth in this Stipulation are in the public interest. In the event the Commission does not accept and approve all aspects of this Stipulation, the stipulating parties respectfully request notice allowing them ten (10) days within which to attempt to reach a modified stipulation that addresses the Commission's concerns. If no such modified stipulation is reached after ten (10) days, the Stipulation shall terminate and the signatories shall reserve their rights to participate fully in all relevant proceedings notwithstanding their agreement on the terms of this Stipulation.

Respectfully submitted by:

CHAPARRAL (VIRGINIA) INC.

By: 

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November 5, 2009

COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

APPLICATION OF)	
VIRGINIA ELECTRIC AND POWER COMPANY)	
)	Case No. PUE-2009-00011
For approval of the Annual Filing as required)	
by Final Order of the State Corporation Commission)	
in Case No. PUE-2007-00066 granting approval of a)	
rate adjustment clause, Rider S, with respect to the)	
Virginia City Hybrid Energy Center generation and)	
transmission facilities located in Wise County, Virginia)	
 APPLICATION OF)	
VIRGINIA ELECTRIC AND POWER COMPANY)	
)	Case No. PUE-2009-00016
To revise its fuel factor pursuant to)	
§ 56-249.6 of the Code of Virginia)	
 APPLICATION OF)	
VIRGINIA ELECTRIC AND POWER COMPANY)	
)	Case No. PUE-2009-00017
For Approval of a Rate Adjustment Clause for Recovery)	
of the Costs of the Bear Garden Generating Station and)	
Bear Garden-Bremo 230 kV Transmission Interconnection Line)	
 APPLICATION OF)	
VIRGINIA ELECTRIC AND POWER COMPANY)	
)	Case No. PUE-2009-00018
For approval of a rate adjustment clause pursuant to)	
§ 56-585.1 A 4 of the Code of Virginia)	
 APPLICATION OF)	
VIRGINIA ELECTRIC AND POWER COMPANY)	
)	Case No. PUE-2009-00019
For a 2009 statutory review of the rates, terms)	
and conditions for the provision of generation,)	
distribution and transmission services pursuant)	
to § 56-585.1 A of the Code of Virginia)	
 APPLICATION OF)	
VIRGINIA ELECTRIC AND POWER COMPANY)	
)	Case No. PUE-2009-00081
For approval to implement new demand-side)	
management programs and for approval of two)	
rate adjustment clauses pursuant to § 56-585.1 A 5)	
of the Code of Virginia)	

**ADDENDUM AND MODIFICATION OF
STIPULATION AND RECOMMENDATION**

NOW COME the undersigned parties to the November 5, 2009 Stipulation and Proposed Recommendation ("Stipulation") filed in Case Nos. PUE-2009-00011, -00016, -00017, -00018, -00019, and -00081, Chaparral (Virginia) Inc., MeadWestvaco Corp., Wal-Mart Stores East, LP and Sam's East, Inc., The Kroger Co., the Apartment and Office Building Association of Metropolitan Washington, International Paper Company, Utility Professional Services, Inc., the Office of the Attorney General, Division of Consumer Counsel ("Consumer Counsel"), and Virginia Electric and Power Company ("Dominion Virginia Power" or "the Company"), and additional parties to these proceedings, the Department of the Navy on behalf of the Federal Executive Agencies ("FEA"), the Virginia Committee for Fair Utility Rates ("VCFUR"), the Fairfax County Board of Supervisors, Mr. Robert A. Vanderhye, the Virginia Cable Telecommunications Association ("VCTA"), and the Staff of the State Corporation Commission (the "Commission"), to agree and recommend to the Commission that it issue an order or orders in this matter approving the Stipulation, as supplemented, or modified as indicated, by the provisions set forth herein ("Addendum"):

BASE RATES OF SERVICE

12. There will be no base rate adjustment prior to December 1, 2013, except upon a determination that emergency rate relief is warranted, as authorized under Va. Code § 56-245. This Paragraph modifies the provisions of Paragraph 1 of the Stipulation only in that it extends the base rate freeze until December 1, 2013.

13. The Company's authorized return on equity ("ROE") applicable to base rates (inclusive of a Performance Incentive of 60 basis points) of 11.9% shall be

utilized for purposes of the Earnings Test prescribed for the Company's first biennial review pursuant to Va. Code § 56-585.1 A. The "earnings band" for this biennial review Earnings Test shall be 11.4%-12.4%. This Paragraph clarifies the provisions of Paragraph 4 of the Stipulation. As stated in the Stipulation, this ROE is agreed to solely for purposes of this Stipulation taking into consideration this Stipulation as a whole and the disposition of all other matters set forth herein, and is not intended to establish or otherwise be a precedent for a particular "peer group" floor or "Performance Incentive" pursuant to Va. Code § 56-585.1 A 1 d. Nor shall anything in this Stipulation be deemed to have adopted or established a particular methodology for determining a Performance Incentive.

14. Consistent with the terms of Va. Code § 56-585.1 A 1, the first biennial review will be based on two successive 12-month test periods ending December 31, 2010. The Company's second biennial review will be based on two successive 12-month test periods ending December 31, 2012. For Earnings Test purposes in each of these biennial reviews, the earnings results of the two test periods will be netted together to determine total period earnings and each test period's rate base will be based on 13-month averages and each test period's capital structure will be based on end-of-test period. Earnings Test adjustments shall be based on the guidelines attached as Exhibit A to this Addendum. A list of all material accruals and out-of-period accounting entries will be included in each of these biennial review filings.

15. The provision of Paragraph 4 of the Stipulation stating that the agreed base ROE shall not establish the "Initial Return" pursuant to Va. Code § 56-585.1 A 2

d is withdrawn. The "Initial Return" pursuant to Va. Code § 56-585.1 A 2 d is the base return on equity of 11.3%.

16. The Company will provide a \$132 million base rate credit to customers from 2008 revenues. The credit shall be designed to credit equal amounts of \$66 million during calendar years 2011 and 2012. The \$132 million base rate credit to be provided to customers in the years 2011 and 2012 will be apportioned to all customer classes and rate schedules consistent with the manner in which the Company initially proposed the base rate increase in Case No. PUE-2009-00019, *i.e.*, equal percentage across all classes. After the dollar apportionment per customer class and rate schedule is determined on this basis, a rate per kWh will be derived to be applied to bills starting January 1, 2011, and continuing for the two-year period ending December 31, 2012. The base rate credit will be applied on a \$/kW basis for customers served on GS-3 and GS-4. The method for deriving the base rate credit rider will be consistent with the manner approved by the Commission for setting Riders R, S and T, and based on forecasted sales for the two-year period. The Company will closely monitor the dollars being returned to customers by way of this base rate credit rider and will work with Staff to determine whether, commencing October 1, 2012, the rates that effect the base rate credit rider should be adjusted proportionally up or down as necessary in order to ensure aggregate credits to customer bills under this provision of \$132 million on or before December 31, 2012.

RIDER TREATMENT

17. The parties will support a base authorized ROE of 11.3% for any rate adjustment clause ("RAC") under Va. Code § 56-585.1 A 5 or A 6 ("Subsection A 5")

or "Subsection A 6"), including Riders R (Bear Garden), S (VCHEC) and, if approved, Riders C1 (Peak shaving) and C2 (DSM), along with future RAC(s) under these Code sections, if any, should the Company's Application or Petition for initial or updated approval of these RAC(s) be filed on or before June 30, 2010. The supported base ROE is exclusive of any statutory incentive adder under Va. Code § 56-585.1 A 6 (e.g., 100 basis points as approved for Riders R and S). The Company agrees that no Performance Incentive shall be added to any 11.3% base authorized ROE approved consistent with the terms of this Paragraph. The Company agrees to request that the implementation date of Subsection A 6 RACs be shifted to reflect a rate year commencing April 1, as opposed to January 1, with any annual updates to be filed on or before June 30 of each year, as opposed to March 31, commencing with such filings in 2010. For existing Subsection A 6 RACs, including Riders R and S, the Company will request, and the parties will support, extending the currently-approved terms of these RACs to March 31, 2011, at existing rates of recovery, in order to effect the intent of this provision. Any over- or under-recovery of costs during this extended period, if approved, shall be addressed through the deferral and true-up provisions of these RACs. For all new or updated RAC Applications or Petitions under Subsections A 5 or A 6 of Va. Code § 56-585.1 filed after June 30, 2010, the parties do not stipulate to an authorized ROE, and the determination of the authorized ROE shall be in accord with the provisions of Va. Code § 56-585.1. This Paragraph supersedes, in its entirety, the provisions of Paragraph 5 of the Stipulation.

18. As to any approved Rider for the recovery of costs pursuant to subsection A 5 c of Va. Code § 56-585.1, the Company agrees that the allowed gross-up or margin

on operations and maintenance ("O&M") expenses shall be limited to the Company's overall Commission approved cost of capital, up through December 31, 2013.

19. The provisions of Paragraph 6 of the Stipulation are withdrawn as moot in light of the Commission's Order Approving Rate Adjustment Clause in Case No. PUE-2009-00017.

RIDER CREDITS

20. Pursuant to the provisions of Paragraph 8 of the Stipulation, Rider Credit rates will be developed to offset the increases in rates associated with Riders R, S, and T. Paragraph 8 of the Stipulation also specifies that the Rider T credit for the period retroactive to September 1, 2009 will be applied (without interest) in a manner consistent with collection of those rates from customers. Recognizing that the rate increases associated with Riders R and S were effective on January 1, 2010, the Company will also apply the Riders R and S credit rates (without interest) for the period retroactive to January 1, 2010 in a manner consistent with the collection of those rates from customers to provide a similar "catch-up" of the credits provided for under this provision. This "catch-up" credit, for Riders R, S, and T, will be distributed to customers at the same time as the refund of the interim base rate increase, as ordered by the Commission. For the period subsequent to the "catch-up" of the Rider R, S and T Credits, such Rider Credits will be applied monthly pursuant to the provisions of Paragraph 8 of the Stipulation through December 31, 2010. This Paragraph clarifies the provisions of Paragraph 8 of the Stipulation.

DEFERRED RTO COSTS RECOVERY

21. As of January 1, 2011, the Company waives any and all recovery from Virginia retail customers of any of its charges from PJM for deferred RTO costs ("DRC Charges") approved by FERC in Docket No. ER08-1540. The waived recovery of DRC Charges will consist of a deferred balance of \$142,000,000 and authorized carrying charges of \$55,000,000, for a total of \$197,000,000.

ADVANCED METERING INFRASTRUCTURE (AMI) COST RECOVERY

22. The parties agree that rate treatment of all AMI deployment-related costs, including any change in the cost recovery relative to the existing meter infrastructure, has not been determined in Case No. PUE-2009-00019; the rate treatment of such costs may be addressed in a future Subsection A 5 proceeding or biennial review of base rates. Should the Commission approve, in any future Subsection A 5 proceeding, cost recovery of any item currently in the cost of service, then notwithstanding Paragraph 12 above the Commission may contemporaneously remove such cost recovery from base rates through an appropriate adjustment to base rates.

AFFILIATES AGREEMENT

23. The Company will re-file its Services Agreement with DRS within nine months of a final order in Case No. PUE-2009-00019. The Company and Staff will work together to review other currently approved affiliate agreements and assess whether changes are necessary. The re-filing and ultimate outcome of such re-filing will not affect or change the financial terms of this Stipulation. No party is waiving any right to participate in any proceeding before the Commission.

QUALITY OF SERVICE

24. There will be no deterioration in customer service or service reliability as a result of the adoption of this Stipulation. The Company will work with Staff and provide information necessary to monitor this requirement. No party is waiving any right to participate in any proceeding before the Commission.

WHEREFORE, the undersigned parties agree that the Stipulation, as supplemented or modified by this Addendum, represents a compromise for the purposes of settlement of this case and balancing of many interests, and none of the signatories to this Stipulation and Addendum necessarily agrees with the treatment of any particular item, any procedure followed, or the resolution of any particular issue in agreeing to this Stipulation and Addendum other than as specified herein, except as required to implement provisions of this Stipulation and Addendum, and the parties agree that the resolution of the issues herein, taken as a whole, and the disposition of all other matters set forth in this Stipulation and Addendum are in the public interest. In the event the Commission does not accept and approve all aspects of this Stipulation and Addendum, the stipulating parties respectfully request notice allowing them ten (10) days within which to attempt to reach a modified stipulation that addresses the Commission's concerns. If no such modified stipulation is reached after ten (10) days, the Stipulation and Addendum shall terminate and the signatories shall reserve their rights to participate fully in all relevant proceedings notwithstanding their agreement on the terms of this Stipulation and Addendum.

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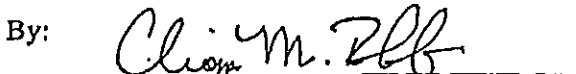
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February 26, 2010

GUIDELINES FOR EARNINGS TEST ADJUSTMENTS

The biennial reviews, as provided for under Va. Code § 56-585.1 A 3, shall be primarily a per books evaluation of the Company's consolidated actual jurisdictional financial results for its generation and distribution services reflecting the aggregate actual costs incurred by the Company during the combined test periods under review. In general, the actual financial results of the Company will be adjusted only for differences between Generally Accepted Accounting Principles and regulatory accounting based on ratemaking practices previously established by the Commission in prior Virginia Electric and Power Company rate decisions.